11U 201076

INTERNAL REVENUE SERVICE

Department of the Treasury

Person to Contact:

Telephone Number:

Addrace.

Date: MAY 1 6 1997

Dear Sirs:

We have completed our examination of your Form 990 for the period ended . We have determined that your tax exempt status should be revoked. Revocation will be effective for the year beginning ?.

The enclosed Form 886-A states the law and basis for the adverse determination with which you have agreed.

This a final adverse determination of your exempt status under section 501(c)(7) of the Internal Revenue Code. Additionally, you are required to file Form 1120. U.S. Corporate Income Tax Return, for the year beginning and subsequent years.

Thank you for your cooperation.

Sincerely yours,

Bobby Æ. Scott District Director

Enclosure: Form 886-A

Form 886-A	EXPLANATION OF ITEMS	Schedule No. or Exhibit
Name of Taxpayer	· · · · · · · · · · · · · · · · · · ·	Year/Period Ended
FACTO	····	

FACTS.

was incorporated in the State of
The club was granted tax exempt status under Internal Revenue Code
Section 501(c)(7) in 1057. The club filed forms 990 & 990-T for the years
ended
The club filed the Form 990 for the
year ended
with the Internal Revenue Service on
The Statute of Limitations date for the
Form 990 is

The club owns and operates a golf course, tennis court, and clubhouse. The clubhouse contains a bar, kitchen and dining facilities. The clubhouse is open throughout the year while the golf course and tennis court are available during the regular golf and tennis seasons. The club allows individuals and groups from the general public to use its golf course as well as its clubhouse facilities.

ended :

renerated its revenues for the years rom the following sources.

Income Source			• •
Sales - Bar	263975	108715	105640
Sales - Food		132538	130535
Dues	168083	124680	122121
Other Income - Dues		15764	14295
Electric Charge		2000	1845
Cart Irail Fees	•	5280	5280
Cart House Fees		1040	1040
Cart Shed Rental	9300	8160	8160
Green Fees	74239	48101	46964
Miscellaneous		300	250
Interest Income	971	423	506
Total Gross Income	516568	447001	436636

Sources of Nonmember Income as determined per Revenue Procedure 71-17

	1		
'Sales - Bar	263975	108715	105640
Şales - Food		132538	130535
Green Fees	74239	48101	46964
Total Nonmember Income	338214	289354	283139

The club maintained no records to substantiate member v nonmember usage as defined per Revenue Procedure 71-17. The clubhouse and golf course were clearly used to a large extent by nonmembers of the club as well as guests of members. Since the club maintained no records to substantiate nonmember v member purchases, all income for the bar, kitchen and greens fees were categorized as nonmember income.

Form 886-A	EXPLANATION OF ITEMS	Schedule No. or Exhibit
Name of Taxpayer		Year/Period Ended

Ratio of Nonmember Income to Total Income for purposes of Public Law 94-568. purposes.

Nonmember Income	338214	289354	283139
Total Income	516568	447001	436636
Nonmember Percentage of			
Gross Receipts	65.47%	64.73%	64.85%

LAW

Internal Revenue Code Section 501(c)(7) grants tax exempt status to clubs organized for pleasure, recreation, and other nonprofitable purposes, substantially all of the activities of which are for such purposes and no part of the net earnings of which inures to the benefit of any private shareholder.

Treasury Regulation 1.501(c)(7)-1(a) states in general, that this exemption extends to social and recreational clubs which are supported solely by membership fees, dues and assessments.

Treasury Regulation 1.501(c)(7)-1(b) states in part "A club which engages in business, such as making its social and recreational facilities available to the general public is not organized exclusively for pleasure, recreation, and other nonprofitable purposes, and is not exempt under section 501(a) of the Internal Revenue Code.

Internal Revenue Code Section 511(a)(1) imposes a tax for each taxable year on the unrelated business taxable income (as defined in section 512) of every organization described in paragraph (2). IRC 511(a)(2) describes organization's subject to this tax as organization's described under IRC 401(a) and 501(c).

Internal Revenue Code Section 512 provides the definitions of unrelated business taxable income for organization's described under Internal Revenue Code Section 501(c).

One of the exceptions to the general rule for determining unrelated business taxable income under IRC 512(a)(1) is IRC 512(a)(3). Special rules applicable to organizations described in paragraph (7), (9), (17), or (20) of section 501(c).

Section 512(a)(3)(A) of the Code provides that, in the case of an organization described in paragraph (7), (9), (17) or (20) of section 501(c), the term "unrelated business taxable income" means the gross income (excluding any exempt function income), less the deductions allowed by this chapter which are directly connected with the production of the gross income (excluding exempt function income), both computed with the modifications provided in paragraph (6), (10), (11), and (12) of subsection IRC 512(b).